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Via E-Mail and First Class U.S. Mail

September 28, 2006

Mr. Dwight Sanders
California State Lands Commission
100 Howe Avenue, Suite 100-South
Sacramento, CA 95825-8202

Mr. Mark A. Prescott
U.S. Coast Guard Headquarters
2100 Second Street, SW
Washington, D.C. 20593

Re: Support Vessels for Cabrillo Port DWP

Gentlemen:

As you know, BHP Billiton ("BHPB") has proposed to power the tug and supply vessels for Cabrillo Port with natural gas. This plan reflected BHPB's continuing efforts to limit the actual and perceived environmental impacts of the project along the coast, including air emissions. However, recently, public comments and community concerns have repeatedly questioned the safety of natural gas-powered support vessels operating in and around Port Hueneme. Although we know from existing technology that natural gas-powered vessels would pose no particular safety risk to the Port, we respect the safety-related concerns being raised and have decided that the only way to fully satisfy the concern is to shift from natural gas-powered vessels to controlled diesel. This will ensure that there are no BHPB LNG fuel tanks within the Port. The closest BHPB LNG will remain almost 14 miles from the nearest shore.

In order to find a means of retaining the emissions benefits garnered by using natural gas fired vessels while also trying to resolve these concerns, BHP turned to its marine engineers and the engine manufacturers to see if another solution was viable. We had previously determined that the space needs and complexity of a gas fired vessel made the use of tailpipe controls unfeasible. However we determined that a conventional diesel vessel can be controlled. While we are unaware of any controlled tugs or crew boats operating off the California coast, we understand that there are controlled tugs and crew boats operating elsewhere in the world. By installing a broad suite of controls on these engines BHP can ensure that the emissions of all pollutants but sulfur dioxide (i.e., NOx, CO, VOC and PM_{10}) will stay equal to, or possibly less than, the emissions of natural gas fired vessels. SO_2 emissions will increase slightly notwithstanding the

use of low sulfur California diesel. This approach is consistent with what we proposed to EPA in our August 3, 2006 comment letter on the draft air permit.

One reason we are open to this change is because available control technology can now be effectively and safely incorporated into state-of-the-art diesel engines for these. Thus, we are making this change only to address the safety perception while maintaining the emission benefits. There will not be any new CEQA or NEPA-related impact as a result of this change. The additional controls will utilize urea so no hazardous material will be used in operating the equipment. Diesel engines for light-duty vessels have a proven track record and are already commonly used throughout the Port. While equally as safe, the emission rates from the controlled diesel engines we are committing to will set a new standard for the State of California.

Therefore, by this letter, we are officially committing that Cabrillo Port will deploy diesel-powered tugs and supply vessels with state-of-the-art control technology to reduce NOx, CO, VOC and particulate emissions. This change is assumed in the emissions inventory sent to E&E last week and will be included in the final air modeling for the project.

Please let us know if you have any questions at all about this decision. Thank you for your consideration.

Sincerely,

Renee Klimczak

cc: Amy Zimpfer
Bob Fletcher
Mike Villegas